

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
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DRAFTED BY EB/OA/AVP:GGGRIFFITHS:JH
APPROVED BY EB/TRA:JRATWOOD
CAB:DFARMER
EUR/CE:JHURLEY
EB/OA:MHSTYLES

-----128934 192342Z /63

O 192152Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY VIENNA IMMEDIATE

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E.O. 11652: N/A

TAGS:EAIR, AU

SUBJECT: CIVAIR: PAN AM BUDGET/STANDBY FARES REJECTED

REF: (A) STATE 146548, (B) VIENNA 05437, (C) VIENNA 6823

1. SUMMARY: DEPARTMENT IS CONCERNED THAT WE MAY WELL HAVE MISSED OPPORTUNITY TO HAVE TIMELY AND MEANINGFUL DISCUSSION WITH GOA ON PAN AM FARES ISSUES. WE CONTINUE TO FIND GOA RATIONAL FOR REJECTION OF ATTRACTIVE LOW FARES FILED BY PAN AM (WHICH ARE CONSISTENT WITH PRESIDENT'S DESIRE FOR LOW AIR FARES) TO BE UNPERSUASIVE. ACCORDINGLY, EMBASSY IS REQUESTED TO MAKE RENEWED APPROACH TO GOA IN EFFORT TO GET THEM TO REVERSE THEIR POSITION. END SUMMARY.

2. CHRONOLOGY OF EVENTS THIS ISSUE, AS WE UNDERSTAND IT,
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IS AS FOLLOWS:

--MAY 16-PAN AM FILED BUDGET/STANDBY FARES FOR TRAVEL NEW YORK-VIENNA FOR EFFECTIVENESS JUNE 15 IN ACCORDANCE WITH 30 DAY ADVANCE FILING REQUIREMENT OF BILATERAL.

--MAY 29-GOA SENT LETTER TO PAN AM REJECTING FARES AND

SUGGESTING PAN AM INTRODUCE HIGHER SPECIAL APEX FARE. COPY OF LETTER ALSO SENT TO EMBASSY ON SAME DAY UNDER COVER OF

LETTER REFERRING TO BILATERAL AGREEMENT, BUT REPORT NOT SENT TO DEPARTMENT.

--JUNE 9-DEPARTMENT SENT REF A TO EMBASSY INDICATING THAT FARES SHOULD BE VALID SINCE NO PROPER GOVERNMENT-TO-GOVERNMENT NOTICE OF DISSATISFACTION WITH FARES HAD TAKEN PLACE.

--JUNE 14-EMBASSY REF B WAS FIRST INDICATION DEPARTMENT HAD THAT GOA HAD INDEED CONTACTED EMBASSY RE THIS MATTER. REF B STILL NOT CLEAR, HOWEVER, THAT GOA INTENDED ITS COMMUNICATION TO EMBASSY TO BE CONSIDERED AS PROPER NOTICE OF DISSATISFACTION.

--JUNE 15-GRIFFITHS/AMBACH TELECON AND REF C MADE IT CLEAR THAT GOA COVER LETTER OF MAY 29 WITH COPY OF GOA LETTER TO PAN AM CONSTITUTED NOTICE OF DISSATISFACTION AS REQUIRED UNDER THE BILATERAL.

3. DEPARTMENT NOT BEING INFLEXIBLY TECHNICAL ON THIS POINT. PURPOSE OF NOTICE OF DISSATISFACTION PROCEDURE ESTABLISHED BY BILATERAL IS TO PROVIDE GOVERNMENTS TIME TO CONSIDER FILINGS AND RESPOND TO EACH OTHER RE THOSE LIMITED OFFICIAL USE

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FILINGS. UNTIL JUNE 15, DEPARTMENT UNAWARE THAT NOTICE OF DISSATISFACTION HAD BEEN RECEIVED; ACCORDINGLY WE WERE NOTIFYING PAN AM THAT FARES WERE VALID AND SHOULD BE FLOWN BEGINNING JUNE 15. THIS HAS EXPOSED PAN AM TO THE POTENTIAL OF GOA ENFORCEMENT ACTION FOR FLYING REJECTED TARIFFS. FURTHERMORE, IF USG HAD KNOWN THAT NOTICE HAD BEEN RECEIVED ON MAY 29, WE WOULD HAVE ASSUREDLY RESPONDED IN SOME FORM. ANY RESPONSE WE MAKE NOW MUST ASSUME RETROSPECTIVE CHARACTER SINCE FARES HAVE NOW BEEN REJECTED.

4. DEPARTMENT STILL CONFUSED BY GOA ACTION SINCE NO AUSTRIAN AIRLINE INTEREST IS DIRECTLY INVOLVED. ONE EXPLANATION WHICH IS SUPPORTED BY MAY 29 GOA LETTER IS THAT GOA FOLLOWING LEAD OF SWITZERLAND AND GERMANY IN THIS ISSUE.

5. IN ANY CASE, ISSUE INVOLVED HERE GOES TO HEART OF US INTERNATIONAL AVIATION POLICY, THE PRINCIPLES OF WHICH ARE EXPRESSED IN STATE 063476, WHICH IS BEING REPEATED FOR VIENNA. THE SUGGESTIONS MADE IN THE MAY 29 LETTER TO PAN AM AND THE PHILOSOPHY BEHIND SUCH SUGGESTIONS ARE ANTITHETICAL TO THE CENTRAL THRUST OF OUR AVIATION POLICY

ENDORSED BY PRESIDENT WHICH FAVORS THE DEVELOPMENT OF
A MORE COMPETITIVE INTERNATIONAL AVIATION ENVIRONMENT
ULTIMATELY LEADING TO LOWER AIR FARES.

6. ACTION REQUESTED: DEPARTMENT MINDFUL THAT ANY USG
RESPONSE TO GOA REJECTION OF PAN AM FARES MAY BE CONSIDERED
SOMEWHAT TARDY BY THE GOA. HOWEVER, IN VIEW OF THE NATURE
OF THE AUSTRIAN REJECTION, USG MUST RESPOND. IF GOA
QUESTIONS TIMING OF USG RESPONSE, EMBASSY SHOULD INDICATE
IT WAS UNAWARE THAT GOA LETTERS OF MAY 29 WERE TO BE
CONSIDERED NOTICE OF DISSATISFACTION, AND CONSEQUENTLY
WERE NOT PASSED TO DEPARTMENT. FYI NOTICES OF DISSATIS-
FACTION CUSTOMARILY ARE GIVEN BY DIPLOMATIC NOTES.
EMBASSY CAN SUGGEST TO AUSTRIANS THAT USING DIPLOMATIC
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NOTES INSTEAD OF COVER LETTERS WILL AVOID SUCH CONFUSION
IN THE FUTURE. END FYI.

DCM SHOULD MAKE REPRESENTATION WITH APPROPRIATE LEVEL GOA
OFFICIALS. SUBJECT TO EMBASSY'S JUDGMENT AS TO WHAT
APPROACH WOULD BE MOST EFFECTIVE, DEPARTMENT SEES
FOLLOWING AS USEFUL TALKING POINTS:

--PAN AM FARES WERE EVALUATED BY US CAB, WHICH FOUND FARES
TO BE ECONOMICALLY JUSTIFIED. GOA REASONS FOR REJECTING
FARES ARE CONSIDERED BY DEPARTMENT TO BE UNPERSUASIVE AND
DIFFICULT TO COMPREHEND.

--US INTERNATIONAL AVIATION POLICY WHICH ENCOURAGES THE
TRADING OF COMPETITIVE OPPORTUNITIES RATHER THAN
RESTRICTIONS HAS A STRONG COMPONENT OF DIRECT PRESIDENTIAL
INVOLVEMENT.

--USG FINDS PARTICULARLY UNACCEPTABLE THE GOA ASSERTION
IN ITS MAY 29 LETTER THAT PAN AM HAS TO ADJUST ITS FARES
TO THE TARIFFS WHICH ARE IN EFFECT TO GERMANY AND SWITZER-
LAND. TARIFFS BETWEEN THE US AND AUSTRIA SHOULD BE EVAL-
UATED SOLELY WITH REFERENCE TO THE US-AUSTRIA MARKET,
AND NOT TO OTHER MARKETS WHICH HAVE DIFFERENT CHARACTER-
ISTICS. NOWHERE IN THE US-AUSTRIA CIVIL BILATERAL
AGREEMENT DOES IT INDICATE THAT FARES MAY BE REJECTED
BECAUSE THEY DO NOT CONFORM TO TARIFFS IN EFFECT TO OTHER
COUNTRIES.

7. RE AMBACH/GRIFFITHS TELECON OF 6/19, DEPARTMENT HAS NO
OBJECTION TO PAN AM REP ACCOMPANYING EMBOFF TO MEETING
WITH FORMIN OFFICIAL. EMBASSY SHOULD STRESS THAT MEETING
IS BETWEEN GOVERNMENT OFFICIALS AND PAN AM PARTICIPATION
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IS OF A TECHNICAL ADVISORY NATURE. VANCE

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Message Attributes

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Disposition Action: RELEASED
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Disposition Case Number: n/a
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Disposition History: n/a
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Drafter: GGGRIFFITHS:JH
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From: STATE
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